



# U.S. Congressman Jimmy Panetta

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## Climate Action Rebate Act of 2019

*Congressman Jimmy Panetta (D-CA), Senators Chris Coons (D-Del.) and Dianne Feinstein (D-CA)*

*A bill to create a Climate Action Rebate Fund in order to efficiently reduce greenhouse gas emissions, provide a monthly rebate to the American people, encourage innovation of clean energy technologies and create new economic opportunities, ensure the resiliency of our infrastructure, assist with the transition to a clean energy economy, and leave a healthier, more stable, and more prosperous nation for future generations.*

### **Section-by-Section**

***Section 1: Short Title*** – The Climate Action Rebate Act of 2019.

***Section 2: Findings*** – This section highlights the costs of climate change to our economy and national security, expresses that markets should reflect costs of pollution, and says that the creation of a Climate Action Rebate Fund can support efficient markets, job creation, innovation, infrastructure investments, the transition to clean energy, and rebating money back to Americans.

### ***Section 3: Carbon Fee***

***Section 3(a)*** – This subsection creates the carbon fee program within chapter 38 of subtitle D of the Internal Revenue Code (environmental taxes).

*Sec. 4691: Definitions* – This section defines several relevant terms for the bill, including definitions of which entities, fuels, and carbon-intensive products would be covered by the carbon fee.

*Sec. 4692: Carbon Fee* – This section creates a carbon fee that is imposed on covered entities' use of a covered fuel, adjusted for the specific greenhouse gas content of the fuel. The fee starts at \$15 in 2020 and is raised by \$15 every year. If the emissions targets outlined in section 4693 are not met in a given year, the fee is raised by \$30. Once emissions reach 10% of 2017 levels, the fee no longer rises. This section also provides an exemption for any non-emissive use of a covered fuel (such as the use of natural gas as a chemical feedstock).

*Sec. 4693: Emissions Reduction Schedule* – This section outlines a schedule of emissions reductions from 2020 to 2050. For the first ten years, the reductions are chosen to reflect modeled achievable reductions given the fee. For the next twenty years, the reductions are designed to achieve 100% reduction (compared to 2017 levels) by 2050.

*Sec. 4694: Fee on Fluorinated Greenhouse Gases* – This section imposes a fee on fluorinated greenhouse gases that is 20% of the carbon fee, adjusted for the global warming potential of the specific gas.

*Sec. 4695: Carbon Fee Refunds* – This section provides refunds of the carbon fee for emissions that are captured and utilized or sequestered in accordance with section 45Q of the tax code. No refund is provided for a unit of carbon dioxide that also receives a credit under 45Q and no refund is available for any entity in violation of air quality regulations.

*Sec. 4696: Carbon Border Fee Adjustment* – This section creates a border adjustment program to levy the carbon fee on imports of covered fuels and carbon-intensive products. Refunds are provided for exports of covered fuels and carbon-intensive products.

*Sec. 4697: Administration of the Carbon Border Fee Adjustment* – This section outlines the methodology Treasury and EPA should use to determine the appropriate fee to levy on an imported carbon-intensive product. It also directs them to ensure that no covered fuel, fluorinated gas, or carbon-intensive product has a fee levied more than once. Finally, it provides for a procedure where importers can petition Treasury for a review of the emissions analysis of their imported products.

*Sec. 4698: Allocation of Carbon Border Fee Adjustment Revenues* – This section directs revenues collected from importers to be directed to Customs and Border Protection for administering the border fee adjustment, to Treasury for providing refunds to exporters, to State and USAID for climate mitigation and adaptation in developing countries, and to Ex-Im Bank for facilitating export of clean energy technologies.

**Section 3(b)** – This subsection creates a program within USDA to provide payments to farmers or landowners who implement nature-based projects with measureable greenhouse gas reduction benefits.

**Section 3(c)** – This subsection creates a program within the Department of Energy to provide payments for direct air capture of carbon dioxide and sequestration in accordance with section 45Q. Similar to section 4695, no refund is provided for a unit of carbon dioxide that also receives a credit under 45Q and no refund is available for any entity in violation of air quality regulations.

**Section 3(d)** – This subsection adds a conforming amendment to section 45Q of the tax code.

**Section 3(e)** – This subsection expresses the sense of Congress that international greenhouse gas reduction is important to the United States and encourages the Secretary of State to engage in bilateral and multilateral negotiations for the purposes of reducing global greenhouse gas emissions.

#### ***Section 4: Establishment of the Climate Action Rebate Fund***

**Section 4(a)** – This section creates the Climate Action Rebate Fund within subchapter A of chapter 98 of the Internal Revenue Code (trust funds).

*Sec. 9512(a): Establishment and Funding* – This subsection creates the fund.

*Sec. 9512(b): Transfers to the Climate Action Rebate Fund* – This subsection places the fees received from Treasury into the fund, minus any amounts refunded for non-emissive use (section 4692) or for carbon capture (section 4695).

*Sec. 9512(c): Expenditures* – This subsection directs up to 0.6% of the fund to administer the carbon fee program and up to 5% of the fund to administer the fund itself for the first five years. After five years, only 1.5% of the fund can be used to administer the fund itself. Of the

remaining money after administrative costs, 70% is directed to a carbon dividend program, 20% is directed to infrastructure, 5% is directed to research and development, and 5% is directed to assistance to help workers and communities transition to cleaner energy.

*Sec. 9512(d): Carbon Dividend* – This subsection creates a carbon dividend program. Citizens and lawful U.S. residents with valid Social Security Numbers or Taxpayer Identification Numbers qualify for a monthly dividend, provided their household incomes are no more than \$100,000 (single filer) or \$150,000 (joint filer). The dividend begins to phase out at \$80,000 (single filer) and \$130,000 (joint filer). Full shares are provided for each adult in a household and half-shares for each child under 19 years old. Dividend payments are taxable but are not included in income for the purposes of qualifying for other federal benefits or assistance. The first dividend payment is distributed in advance of the carbon fee.

*Sec. 9512(e): Infrastructure* – This subsection directs money to several infrastructure programs, including: the Highway Trust Fund; National Infrastructure Investments/BUILD Grants; intercity passenger rail; the Airport and Airway Trust Fund; alternative fuel vehicle infrastructure; drinking water, clean water, and wastewater (including rural water); rural broadband; water resources infrastructure (Army Corps); community resiliency and climate adaptation; coastal resiliency and ocean monitoring; public lands; Superfund; Abandoned Mine Reclamation Fund; Reforestation Trust Fund; energy efficiency programs; hospital and health center resiliency; VA medical facility resiliency; rural energy programs and flood prevention; and the carbon sequestration program created in section 3(b).

*Sec. 9512(f): Innovation* – This subsection directs money to the Department of Energy to support research, development, demonstration, technology transfer, and commercialization of technologies that reduce or eliminate greenhouse gas emissions. Highlighted technologies include energy storage and grid integration of storage, carbon capture, next-generation nuclear, energy efficiency, grid modernization and sustainable transportation. Funds are also directed to the direct air capture program created in section 3(c). The Secretary of Energy is also directed to prioritize support for programs that support commercialization and innovative collaboration and to work with other agencies on overlapping areas such as bioenergy.

*Sec. 9512(g): Transition Assistance* – This subsection directs money to programs that help workers in fossil fuel-intensive industries and communities dependent on those industries, as well as programs to help communities affected by disproportionately high energy costs offset those costs.

*Sec. 9512(h): Funding Requirements* – This subsection outlines that all projects funded under subsections (e) through (g) must conform to Buy American and Davis-Bacon. Priority is also given to materials with lower lifecycle emissions. Additionally, projects funded under subsection (e) should prioritize natural and nature-based features when possible.

*Sec. 9512(i): Sunset* – This subsection ends any transfers from the Climate Action Rebate Fund once greenhouse gas emissions are equal to or less than 10% of 2017 emissions and the monthly dividend payment to an eligible adult is less than \$20 (adjusted for inflation) for the preceding three years.

*Sec. 9512(j): Administrative Authority* – This subsection directs Treasury to promulgate any needed rules and guidance to implement the Climate Action Rebate Fund.

**Section 4(b)** – This section adds conforming amendments to the sections of the code dealing with the Highway Trust Fund and Airport and Airway Trust Fund.

**Section 4(c)** – This section adds a clerical amendment to the table of contents for subchapter A of chapter 98 of the Internal Revenue Code.

**Section 5: Disclosure of Return Information** – This section authorizes the IRS and Social Security Administration to disclose information to Treasury for the purposes of administering the carbon dividend program.

**Section 6: Effective Date** – This section establishes an effective date of the calendar year beginning after date of enactment.

**Section 7: Principle of Interpretation** – This section indicates that in cases of ambiguity, the statute shall be interpreted as to provide the most effective reduction of greenhouse gas emissions.

**Section 8:– No Preemption of State Law** – This section establishes that nothing in this legislation preempts any state law or regulation.